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## **PROJECT FINANCING FROM THE EU FUNDS**

FINANCOVÁNÍ PROJEKTU Z FONDŮ EU

### **DIPLOMOVÁ PRÁCE**

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## **ANNOTATION**

The thesis deals with a project with prospects of obtaining a grant from the structural funds of the EU. The subject-matter of the project consists in establishment of training centre, which is primarily designed for education of own employees of the establishing company, operating in the field of manufacturing and sale of optical corrective aids. The main aim of the thesis is to design a project, which fully meets current needs of the company and at the same time fulfils all requirements of relevant operational programme. The content of the thesis is focused on successful submission of full project application so that the financial aid from the EU is likely to be obtained.

## **ANOTACE**

Diplomová práce se zabývá projektem s potenciálem získat grant ze strukturálních fondů EU. Předmětem projektu je založení školicího střediska, které je určeno především pro vlastní zaměstnance firmy působící v oboru výroby a prodeje optických korečních pomůcek. Hlavním cílem diplomové práce je navrhnout projekt, který řeší současné potřeby firmy a zároveň splňuje všechny požadavky relevantního operačního programu. Obsah práce je zaměřen na úspěšné podání plné projektové žádosti tak, aby projekt získal podporu z Evropských fondů.

## **KEYWORDS**

Regional policy, financing, grant, operational programme, project application, investment project, training centre.

## **KLÍČOVÁ SLOVA**

Regionální politika, financování, dotace, operační program, projektová žádost, investiční projekt, školicí centrum.

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## **DECLARATION**

I declare that this master's thesis is original and has been written independently. I also declare that the list of references is complete and that I did not breach of copyright in the sense of Act No.121/200 Coll. on Copyright Law and Rights Related to Copyright and on the Amendment of Certain Legislative Acts.

Brno, 30<sup>th</sup> August 2010

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# INTRODUCTION

European Union's cohesion policy strives for balanced economic and social development of regions of all Member States. In 2007, the EU has launched a set of programmes worth of € EUR 347 billion for a seven-year period. This amount of money accounts for more than third of the European common budget.

Thanks to the accession of the Czech Republic to the European Union in 2004, the country has obtained possibility worth of € 26.7 billion to draw resources from the Union's structural funds. (13) Fundamental purpose of these funds is to help promote the economic, social and territorial cohesion of the EU's regions. According to the fact, that the CR is still one of the lesser developed regions of the EU, it benefits substantially from the EU accession in terms of financial support.

The 2007-2013 funding period has opened up a great opportunity for the Czech businesses to draw money from the European funds. Each Member State negotiates operational programmes with the European Commission. For the current period, the Czech Republic has negotiated 26 operational programs, through which thousands of projects are being implemented. Czech entrepreneurs are able to draw more than € 3 billion from the European Regional Development Fund through **Operational Programme Enterprise and Innovation (OPEI)**, targeted especially at new innovation projects, which have been considered to have the greatest potential to boost competitiveness of the Czech economy.

This thesis deals with a project regarding establishment of a training centre as new educational facility of particular small-sized company. In current economy, the only successful are those with a strong competitive advantage. Such a competitive advantage may lie in highly skilled and qualified staff. However, requirements on knowledge put on employees in modern society are constantly growing and working competence has already became significantly dependant on continuing education.

Financing activities related to training staff burden many organizations' budgets. In this respect, organizations may appeal for assistance from the EU, supporting certain types

of activities in terms of providing funding for various projects. If the intended project contributes to the lowering unemployment rate or enhancing sustainable development of eligible region, it is likely to be supported.

However, obtaining grant from the EU resources is a complicated and administratively demanding process - especially for small companies, lacking means and experience. This issue has become the substance of this thesis - to bring such company closer to the seemingly remote funds of the European Union.

## EXECUTIVE SUMMARY

The goal of the thesis is to design a project, which fully meets current needs of a particular company and at the same time fulfils terms and conditions of relevant operational programme. The content is focused on successful submission of full project application including annexes so that the financial aid from the EU is likely to be promised. The methods used in the thesis include mainly analysis and research, on basis of which the project is designed.

In the theoretical part of the thesis, system of the European funds is introduced. As the suggested project is to be implemented in the Czech Republic, special attention is paid to the Czech environment and its operational programmes. The aim of this part is to fully understand key principles of funding projects from the EU funds and provide brief overview of the system. Particular attention is paid to the Operational Programme Enterprise and Innovation. This knowledge is later applied in the practical part.

Practical part of the thesis deals with a concrete project, which has prospects of obtaining grant from the structural funds of the EU. The project is designed for a small-sized enterprise operating in the field of manufacturing and sale of optical corrective aids. After brief introduction to the company analysis of current situation is carried out. On the basis of SWOT analysis two suitable projects with prospects of obtaining the grant are defined – investment into new information system and establishment of training centre. Establishment of training centre is selected to be implemented first mainly due to approaching deadline for submission of full applications for companies striving for own training centre within **Call II of Operational Programme Enterprise and Innovation – Training Centres**.

The project “**Training Centre AB Optik**” seems to be a good solution for difficulties the company is currently facing – high costs related to training staff and complicated organization of the trainings. The project is designed in the way to meet specific requirement of the OPEI Training Centres-Call II. The thesis includes all major topics

and analysis required in the full application and its annexes including 10-years projected balanced sheet, profit and loss account and preliminary training plan until 2015.

Certain attention is also paid to the process of obtaining the grant to provide the subject organization with a little guidance as this is the first project with prospects of obtaining the grant intended by the organization.

Closing chapter of the thesis recapitulates the suggested project and sums up the conclusions.

**The name of subject organization has been changed to “AB OPTIK” for concealment reasons.**

# 1 THEORETICAL BASIS OF THE WORK

## 1.1 Cohesion policy of the EU in period 2007-2013

European Policy of Economic and Social Cohesion (ESC), simply called cohesion policy, is at present one of the dominant policies in the framework of the economic policy of the EU. Cohesion policy, implemented through thousands of development projects, has been allocated amount of EUR 347 billion over a seven-year period, accounting for more than third of the European common budget.

Cohesion policy consist of **two main parts**. At first, **regional policy** aims at even out economic differences within and among the member states by investments in rural development and focuses on issues relating employment such as job creation, free movement of labour, improving working conditions and rights of workers. Its goal is to strengthen European marketplace by reducing differences, promoting balanced development and dealing with the causes of social deprivation and poor education.

Second, **social policy** addresses problems related to unemployment defined by the European Employment Strategy and the Social Agenda (providing jobs, fighting poverty, inequality and discrimination, and reforming pensions and healthcare). (21)

The financial perspectives of the European Union adopted in April 2006, have set the priorities of the European Union for the period 2007-2013. More than 300 funding programmes have been prepared for this period with revised budgets and renewed priorities. Comparing the previous period 2000-2006, there is greater emphasis on competitiveness, innovation and employment. (9)

General aims of the reform concerning the „new“ period have been modified to be more:

- targeted on the EU's strategic priorities;

- concentrated on the least favoured regions while anticipating change in the rest of the Union;
- decentralised with a simpler, more transparent and more efficient implementation. (22)

### 1.1.1 Objectives of Cohesion Policy

Cohesion policy has 3 main objectives, defined as Objective 1, 2 or 3 referring to the geographical areas of the EU. The lower the number of objective, the higher economic need of the region or sub-region. Objective 1 and 2 covers specific regions, whereas Objective 3 covers almost whole area of the EU. (2)

**Convergence objective (Objective 1)** concerns 84 regions in 17 Member States. These regions have GDP per capita of 75% or less of the EU average, suffering from low levels of investment, high unemployment rates, lack of services or poor infrastructure. (25) The amount of money available under the Convergence objective is EUR 282.8 billion, representing 81.5 % of the total. (19)

**Regional Competitiveness and Employment objective (Objective 2)** covers 168 regions in 19 Member States aiming at cross-border and inter-regional projects. (25) The amount of EUR 55 billion represents just below 16% of the total allocation of funds. (19)

**European Territorial Cooperation objective (Objective 3)** means support of balanced development of the EU, available for cross-border, transnational and interregional cooperation as well as for networks.(25) For European cooperation objectives is available EUR 8.7 billion (2.5 % of the total). (19)

Table 1: Distribution of EU Funds Finances among the ESC Policy Objectives in the Period 2007-2013:

Objective	Funds for EU27		Funds for CR	
<b>Convergence</b>	€283 billion (approx. CZK 7,082.80 billion)	81,54 %	€25.88 billion (approx. CZK 730.00 billion)	96,98 %
<b>Regional Competitiveness and Employment</b>	€54.96 billion (approx. CZK 1,385.40 billion)	15,95 %	€419.09 millions (approx. CZK 11.73 billion)	1,56%
<b>European Territorial Cooperation</b>	€8.72 billion (approx. CZK 218.55 billion)	2,52%	€389.05 million (approx. CZK 10.97 billion)	1,46%
<b>Total</b>	<b>EUR 347 billion</b>	<b>100,00 %</b>	<b>EUR 26.69 billion (approx. CZK 752.70 billion)</b>	<b>100,00 %</b>

Source: (32)

Division by member state is dependant notably on criteria such as population, national wealth, regional wealth and unemployment rate. It is in charge of each Member State to decide on the specific details of how the resources will be divided up among the regions by taking into account the geographical eligibility. (15)

### 1.1.2 Structural funds and Cohesion Fund

The Cohesion policy is fulfilled through the structural funds and Cohesion Fund. Two structural funds are intended for the poorer or otherwise disadvantaged regions - **European Regional Development Fund (ERDF)** and the **European Social Fund (ESF)**. The **Cohesion Fund** is intended to support development of the poorer states, not the regions.

ERDF, ESF and the Cohesion Fund significantly contribute to the three objectives mentioned above: convergence, regional competitiveness and employment, and European territorial cooperation.

Picture 1: Objectives, Structural Funds and instruments

**Objectives, Structural Funds and instruments**  
2007-2013

Objectives	Structural Funds and instruments		
Convergence	ERDF	ESF	Cohesion Fund
Regional Competitiveness and Employment	ERDF	ESF	
European Territorial Cooperation	ERDF		

Source: (19)

**The Cohesion Fund** is aimed at Member States, whose Gross National Income (GNI) per capita is less than 90% of the EU average. The purpose of the fund is the reduction of their economic and social shortfall together with stabilized economy.

Activities financed by the Cohesion Fund fall under the following categories:

- trans-European transport networks (priority projects of European interest as identified by the Union)
- environment (energy efficiency, use of renewable energy, developing rail transport, supporting inter-modality, strengthening public transport, etc.) (3)

**The European Regional Development Fund (ERDF)** aims to strengthen economic and social cohesion in the EU by downsizing imbalances between its regions. The ERDF finances:

- direct aid to investments in companies to create sustainable jobs;
- infrastructures linked notably to research and innovation, telecommunications, environment, energy and transport;
- financial instruments (capital risk funds, local development funds, etc.) to support regional and local development and to foster cooperation between towns and regions;
- technical assistance measures.

The ERDF can intervene in all of the main objectives of regional policy:

1) Convergence

- research and technological development;



- innovation and entrepreneurship;
- information society;
- environment;
- risk prevention;
- tourism;
- culture;
- transport;
- energy;
- education;
- health.

## 2) Regional Competitiveness and Employment

- innovation and knowledge-based economy
- environment and risk prevention
- access to transport and telecommunications services of general economic interest.

## 3) European Territorial Cooperation

- development of economic and social cross-border activities;
- establishment and development of transnational cooperation
- increasing the efficiency of regional policy through interregional promotion and cooperation, the networking and exchange of experiences between regional and local authorities. (11)

**European Social Fund (ESF)** been created in order to improve employment and job opportunities in the EU. It affects achievement in the framework of the Convergence Regional Competitiveness and Employment objectives. ESF has been created to support development in poorer countries, not separate regions.

The ESF supports actions in Member States in the following areas:

- adapting workers and enterprises: lifelong learning schemes, designing and spreading innovative working organizations;
- access to employment for job seekers, the unemployed, women and migrants;

- social integration of disadvantaged people and combating discrimination in the job market;
- strengthening human capital by reforming education systems and setting up a network of teaching establishments. (12)

### **1.1.3 Another financial instruments for entrepreneurs**

**European Investment Bank (EIB)**, which is active both inside and outside of the European Union, offers four main services to its clients: loans, technical assistance, guarantees and venture capital. EIB finances projects promoting EU objectives in a number of geographical regions and across a range of topics. Basically, EIB promotes projects which contribute to the following EU economic policy objectives:

- projects supporting cohesion and convergence in the EU
- projects supporting small and medium sized enterprises (SMEs)
- environmental projects, innovation projects, energy resources projects
- human resources projects (especially health and education), and
- Trans-European Networks. (29)

**Joint European Resources for Micro to Medium Enterprises (JEREMIE)** is an „initiative of the Commission together with the European Investment Bank and the European Investment Fund in order to promote increased access to finance for the development of micro, small and medium-sized enterprises (SMEs) in the regions of the EU.“ (18)

JEREMIE's resources derive from EU Structural Funds for the funding period 2007-2013. JEREMIE's financial instruments draw on the EIB Group's expertise in SME finance, notably guarantees, venture capital, securitization and loans. The JEREMIE initiative enables Member States and regional authorities to apply EIB Group's SME finance know-how at national, regional and local level. (18)

### 1.1.4 Horizontal policies of the EU

Participation of all economic subject supported by Structural funds is conditional on respecting and following so-called Horizontal policies of the EU, which blend together with all operational programmes. According to the Council Regulation (EC) No. 1083/2006, there are two basic horizontal topics for Structural funds: sustainable development and equal opportunities.

**Sustainable development** means mainly protection and improving quality of the environment. Structural funds have been determined to support development of economic and social area. However, it is still necessary to keep in mind the impact of their implementation on the environment, which always must be positive.

**Equal opportunities** involve support of equality between men and women, between people with different ethnic and racial origin, health disabilities, age, regional or world opinion and sexual orientation. Equal opportunities must be obeyed during all phases of realization of supported projects.

### 1.1.5 The NUTS classification

At the beginning of the 1970's, Eurostat set up the "Nomenclature of Statistical Territorial Units" (NUTS) as a single, coherent system for dividing up the European Union's territory with the aim to produce regional statistics for the purposes of the EU. This system has been updated by many negotiations and regulations during following decades. Today, NUTS have 3 levels, which distinguish regions on basis of their eligibility. (10)

#### 1) Eligible areas benefiting from the Cohesion fund (NUTS I)

Regions at level 1 of the NUTS bring together regions which can benefit from the Cohesion Fund. Cohesion Fund is aimed exclusively at Member States whose **Gross National Income (GNI) per capita is less than 90% of the EU average**. Here, a **phasing-out system** has been created for Member States which would have been

eligible for the Cohesion Fund if the threshold had stayed at 90% of the GNI average of the EU at 15 and not at 25. However, it only concerns Spain.

## **2) Eligible areas under the Convergence Objective (NUTS II)**

Regions at level 2 of the NUTS are those regions, whose GDP per capita is less than 75% of the EU average. Therefore, these regions are eligible for funding under the Convergence objective. Here, a **phasing-out system** is granted to those regions which would have been eligible for funding under the Convergence objective if the threshold of 75% of GDP had been calculated for the EU at 15 and not at 25.

## **3) Eligible areas under the European Competitiveness and Employment Objective (NUTS III)**

Regions at level 3 of the NUTS include all regions, which are not covered by the Convergence objective or by the transitional assistance eligible for funding under the competitiveness and employment objective.

## **4) Eligible areas under European territorial cooperation objective**

Cross-border cooperation addresses NUTS level III regions along all internal land borders and certain external land borders and all NUTS level III regions along maritime borders separated by a maximum distance of 150km.

Transnational cooperation: the list containing eligible areas for transnational cooperation as well as for cross-border cooperation was adopted by the Commission in its decision of 31 October 2006.

For interregional cooperation: all regions in Europe are eligible. (37)

## **Population thresholds for NUTS**

Specific minimum and maximum population thresholds for the average size of the NUTS regions have been set in the following way:

Table 2: Population thresholds for the average size of NUTS

LEVEL	Minimum	Maximum
NUTS 1	3 million	7 million
NUTS 2	800 000	3 million
NUTS 3	150 000	800 000

Source: (10)

## NUTS in the Czech Republic

The basic resource for regional policy is Article No. 99 of the Constitution of the Czech Republic creating a constitutional basis for the existence of municipalities and higher territorial administrative units. These units were set in by the Act No. 347/1997, namely 14 regions operating since January 2000. Key standards are Acts No. 128/2000, on Municipalities , and No. 129/2000, on regions. (20)

Level	Name	Units
<b>NUTS I</b>	State	1
<b>NUTS II</b>	Cohesion regions	8
<b>NUTS III</b>	Regions	14

Source: (32)

NUTS I include whole area of the Czech Republic. The classification of NUTS III corresponds with the division into 14 regions specified in the Act No. 347/1997, whereas NUTS II are formed by 2 or 3 units of NUTS III. For better understanding of NUTS in the Czech Republic please see *Appendix 1*.

### 1.1.6 De minimis rule

De minimis rule, established by Regulation (EC) No 69/2001, is designed to benefit small and medium sized enterprises (SMEs).

Article 88(3) of the Treaty establishing the European Community requires state aid to be notified to the European Commission so that it can assess whether the aid is

compatible with the common market in the light of Article 87(1). However, under Regulation (EC) No 994/98 certain categories of aid can be exempted from the notification requirement.

The de minimis rule was introduced in order to exempt small aid amounts. It sets a ceiling below which aid is deemed not to fall within the scope of Article 87(1) and is therefore exempt from the notification requirement laid down in Article 88(3).

De minimis ceiling is according to Regulation (EC) No 1998/2006, **EUR 200 000** granted over a period of **three financial years** is not regarded as state aid within the meaning of Article 87(1). A specific ceiling of EUR 100 000 applies to road transport.

The ceiling, set initially at EUR 100 000 in Regulation (EC) No 69/2001, has thus been doubled.

In order to prevent any abuse, the Regulation applies only to transparent de minimis aid. Aid is regarded as transparent when the amount can be calculated precisely in advance without needing to carry out a risk assessment.

Regulation 69/2001 does not apply to a number of sectors of the industry (e.g. fisheries and aquaculture, the primary production of agricultural products, export-related activities). (6)

## **1.2 Funding possibilities in the Czech Republic in 2007-2013**

In 2007, the Czech Republic has entered second programming period, in which as a Member State of the EU has a claim on drawing from the EU funds. For the period 2007-13, the Czech Republic has been allocated €26.7 billion in total and additional €4.6 billion are to be contributed by the Czech Republic. (5)

When implementing the cohesion policy, the EU is governed by the approved Community Strategic Guidelines on Cohesion (CSGC), which define the **Economic and Social Policy (ESC)** objectives for the period 2007–2013. Each Member State creates its own **National Development Plan (NDP)** describing the main development problems of the country. As it may not apply in all cases that the priorities of state development correspond to the priorities of the all-European cohesion policy agreed by all EU Member States at the transnational level, a joint intersection of NDP and CSGC has to be found.

The document representing the accord of NDP and CSGC and thereby defining the form of the ESC policy realization on the territory of the Member State is the **National Strategic Reference Framework (NSRF)**. (32)

### **1.2.1 Czech National Strategic Reference Framework**

It is compulsory for each Member State to prepare a National Strategic Reference Framework (NSRF), a fundamental document for the negotiations with the EC. The NSRF has to be coherent with the Community Strategic Guidelines for 2007-2013 and is an ongoing dialogue with the Commission. The document defines the strategy chosen by the State and proposes a list of Operational Programmes for realization of the ESC policy.

The Czech NSRF deals with EU funds allocation in the Czech Republic within Ministry for Regional Development (MMR). In other words it sets out in broad terms how the Czech authorities will invest €26.3 billion of EU resources over the next seven years to deliver growth and jobs. As laid down in the NSRF, the EU funding will be invested in **four strategic objectives**:

1. Competitive Czech economy
2. Open, flexible and cohesive society
3. Attractive environment
4. Balanced territory development (4), (23)

### **1.2.2 Economic Growth Strategy of the Czech Republic**

**The Economic Growth Strategy (EGS)** of the Czech Republic was adopted by the Government on 16 November 2005. It sets the economic policy priorities and it recommends how to orient most effectively the financial sources from the government budget and from the Structural Funds of the EU. Operational programmes programs for the years 2007 – 2013 of the CR must comply with this strategy. (23)

EGS elaborates the Czech Republic Strategy for Sustainable Development and comprises three main tasks:

- setup of priorities for co-ordination of economic policy up to 2013 and directing assistance from the EU funds in the period 2007 - 2013
- creation of the optimum conditions for economic activities of clients of the state sector (citizens, entrepreneurs and corporations)
- contribution to maximum efficiency in directing limited public means in areas of direct intervention.

The fundamental principles of regional policies are laid down, in conformity with EGS, in the Regional Development Strategy. (34)

### **1.2.3 Strategy for Regional Development of the Czech Republic**

**The Strategy for Regional Development (SRD)** of the Czech Republic is a fundamental strategic document for the implementation of regional policy in the Czech Republic and a determines the orientation of the development programmes in the period 2007-2013. linked with the EU funds. (23)

The document includes analysis of regional development, characteristics of individual regions and districts, their objectives, recommendations to the relevant central administrative authorities etc. (31)



#### 1.2.4 National authorities

In spite of the fact that the structural funds are part of the Community budget, the way they are spent is based on a system of shared responsibility between the European Commission and Member State authorities. The Commission negotiates and approves the development programmes proposed by the Member States, and allocates resources. The Member States, their regions and accredited agencies manage the programmes, implement them by selecting individual projects, control and assess them. The Commission is involved in programme monitoring, commits and pays out approved expenditure and verifies the control systems. (16)

**Ministry for Regional Development (MMR)** has been established as the central authority for cohesion policy for 2007-2013 in the Czech Republic. MMR was given by the Czech Government the responsibility for preparing the National Strategic Reference Framework through the Managing and Coordinating Committee (MCC). The main purpose of MCC is coordinating the support provided by the European Community at state level. The Ministry of Industry and Trade (MIT) as a cooperating sector participated in preparing the NDP and NSRF through its representative in the MCC and its representatives in the workgroups. The role of the MCC in 2007-2013 is specified in detail in the Czech Government Resolution No. 245, of 2 March 2005. The MCC also works as the Monitoring Committee for the NSRF.

By Decision No. 198, of 22 February 2006, the Ministry for Regional Development has been appointed by the Czech Government as the coordinating and methodological body, the **National Coordination Authority (NCA)**. NCA is the **authority covering** all operational programs in the CR financed from the structural funds and the Cohesion Fund. It has responsibility for determining a uniform framework for the management of the support provided from the Structural Funds and from the Cohesion Fund in the Czech Republic in the years 2007-2013. The NCA is responsible for the overall coordination of the NSRF, and it is the official partner of the European Commission on issues concerning the implementation of economic and social cohesion policy as a whole. (23)

The fundamental functions and responsibilities of the NCA are given by the following roles:

- National Coordination Authority
- Partner of the European Commission in the Czech Republic
- Administrator of the Monitoring System
- Methodical and Coordination Role for a Functional Implementation Environment
- Publicity and Absorption Capacity

### **1.2.5 Operational Programmes in the Czech Republic**

Every Member State negotiates with the European Commission its own Operational Programmes (OPs), which are intermediate stage between the three European Funds (ERDF, ESF, CF) and particular receivers of financial support in eligible regions. OPs are strategic documents representing intersection of the priorities of economic and social cohesion of the EU and individual needs of every Member State. OPs defines, which problems are to be solved with the support of the EU funds and what will be achieved. OPs are divided into the main axis which specify how can be the finances allocated to the particular OP invested. Usually the main axis are further divided into smaller areas of intervention. (13)

For **each operational programme**, the Member State appoints:

- a managing authority
- a certification body
- and auditing body (16)

For the period 2007-2013 there have been established 26 Operational Programmes for Czech Republic. The OPs are divided into several groups depending on the objective, topic and region concerned.

**Convergence objective** of the EU applies to all Czech regions except for Prague Region. Total budget of EUR 25,89 mld is divided into 7 regional and 8 thematic operational programmes.

**Regional competitiveness and employment objective** concerns just Prague Region. With total budget EUR 0,42 mld are carried out 2 Operational Programmes.

**European Territorial Cooperation** concerns all regions of the CR and from the budget of EUR 0,39 mld are financed 9 Operational Programmes. (28)

For full overview of the Operational Programmes in the Czech Republic please see *Appendix 2*.

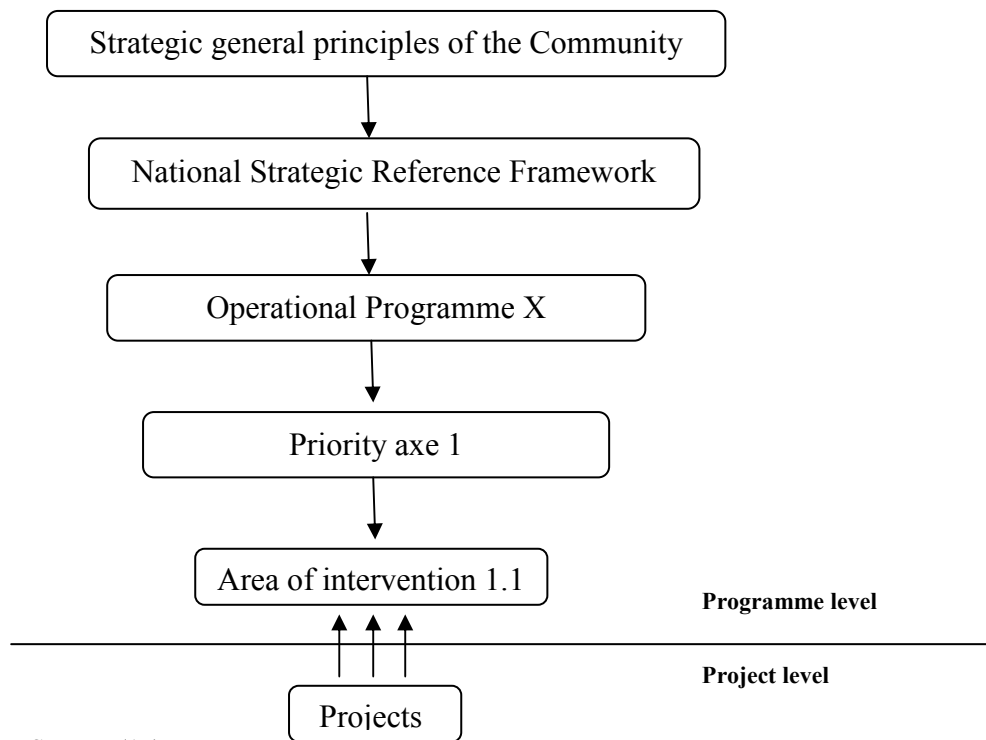
### **1.2.6 System of funds management**

Programmes funded through structural funds are managed at national or regional level, where the projects are selected. Every subject striving for the financial support from the structural funds needs to present his individual project to the managing authority of the particular OP. Concerning thematic OPs, managing authorities in this case are resort ministries.

Managing authorities of particular OPs regularly announce open-ended calls for proposals in order to receive project applications within framework of particular priority axe and area of intervention. Project applications can be put forward by administrative units, ministries, entrepreneurs, owners of transport infrastructure, non-for-profit organizations (NPOs), educational establishments, research centres, etc.

The way how projects and operational programmes are incorporated into the system of strategic documents is illustrated in the picture below.

Picture 2: Incorporation of projects into the system of strategic documents



Source: (17)

### 1.2.7 General rules and conditions for financing from EU funds

**Mono-fund principle** means that the ERDF and the ESF can each finance in a complementary and limited fashion actions falling within the scope of the assistance of another fund. This is limited to no more than 10% of the resources allocated by the Community to each priority area of an OP. However, there is one exception: the ERDF and the Cohesion Fund intervene jointly for programmes covering infrastructure and environment.

**Budgetary commitments** relating to the OPs are made annually, for each fund and each objective. The Commission commits the first annual proportion before the adoption of the operational programme. In the following years, the EC commits the proportions by 30 April of each year.

Another rule refer to the changes is rooted in the Lisbon Strategy. The funds must target the priorities of the European Union regarding the **promotion of competitiveness and**

**job creation.** The Commission and the Member States are obliged that **60%** of the expenditure of all Member States for Convergence and **75%** of the expenditure for Competitiveness and Employment target these priorities.

Additionally, there have been set **maximum co-financing rates for each objective:**

- Convergence: between 75% and 85%
- Competitiveness and Employment: between 50% and 85%
- European Territorial Cooperation: between 75% and 85%
- Cohesion Fund: 85%

**Eligibility of expenditures** is important part of every operational programme. Each OP has specific eligible expenditures. In general, for expenditure to become eligible, it must be incurred between 1 January 2007 and 31 December 2015. Co-financed transactions must not be completed before the start date for eligibility. Rules are established at national level except where the specific rules of the fund state otherwise. (16)

### **1.2.8 Evaluation of Cohesion Policy**

In order to improve the effectiveness and efficiency of programmes and provide knowledge on the **impact of cohesion policy, regular and rigorous evaluation of programming periods has been established by the European Commission.** For 2007-2013, there are three types of evaluation identified according to their timing:

- before (ex ante)
- during (e.g. on-going)
- after (ex post) the programming period

Evaluation of cohesion policy takes place on a partnership basis. Member States are responsible for ex ante evaluation, whereas the European Commission for ex post evaluation. Both are also responsible for evaluation during the programming period. Additionally, the European Commission provides guidance on evaluation and to facilitate exchange of experience across Member States. (6)

### 1.2.9 Definition of small and medium enterprises

The difference between micro, small, medium and large enterprise is defined in Annex 1 of (EC) Regulation 800/2008 on the basis of **headcount and financial ceilings**.

The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding EUR 43 million.

Within the SME category, a **small enterprise** is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

Within the SME category, a **micro-enterprise** is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million. (7)

Table 3: Definition of SMEs

ENTERPRISE	EMPLOYEES <sup>1</sup>	ANNUAL TURNOVER (EUR)	ASSETS (EUR) <sup>2</sup>
<b>Micro</b>	< 10	< 2 000 000	< 2 000 000
<b>Small</b>	< 50	< 10 000 000	< 10 000 000
<b>Medium</b>	< 250	< 50 000 000	< 43 000 000

Source: (7)

**Czech current equivalent (CZK)** shall be calculated by multiplying the amounts in EURO at the foreign exchange rate announced by the European Central Bank for the ratio between EURO and CZK as at 31.12. of the year preceding the year in which the

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<sup>1</sup> values lasting at least over two consecutive fiscal or tax periods. The number of annual labour units corresponds to the number of persons employed on a full-time basis by the given entrepreneur during the entire reference year. Those working on a part-time basis and the work of seasonal workers shall be calculated as fractions of annual labor units, accordingly. Apprentices or students working as part of their practical training, on the basis of a contract of apprenticeship or professional training, do not count as employees. (7)

<sup>2</sup> VAT and other indirect taxes not included

request for subsidy is submitted, or the last day preceding the above date, if 31.12. happens to be a Saturday, Sunday, or holiday. (7)

### **1.3 Operational Programme Enterprise and Innovation 2007 — 2013 (OPEI)**

Operational Programme Enterprise and Innovation 2007 — 2013 (OPEI) follows the Operational programme Industry and Enterprise 2004 — 2006 (OPIE) and is one of the tools to fulfil the strategic goals of the EU implemented under the Convergence Objective. OPEI develops an important part of the strategic objective of the NSRF of the Czech Republic 2007 — 2013 named "Competitive Czech Economy", and is based on the main strategic documents of the Czech Republic.

**The main objective of the OPEI** is by 2013 to increase the competitiveness of the Czech economy and get the innovative performance of the sector of industry and services closer to the level of leading industrial European countries. The OPEI focuses on increasing the competitiveness not only of the whole industry, but also of single enterprises. Partial objectives of OPEI is keeping the Czech Republic, its regions and cities attractive for investors, supporting innovations, stimulation of demand for the R&D results, commercialization of these results, supporting the entrepreneurial spirit and economic growth based on knowledge, increasing the use of new technologies, innovative products and ICT. (23)

OPEI applies on the entire territory of the Czech Republic except the Capital City of Prague and is financed by the European Regional Development Fund (ERDF).

By Resolution of Government No 175/2006 of 22 February 2006 the **Ministry of Industry and Trade (MIT)** was assigned the function of Managing Authority of the Operational Programme Enterprise and Innovation. Compiling the OPEI is fully the responsibility of the Ministry of Industry and Trade. The Managing Authority of the OPEI delegates the performance of some implementation activities to **Intermediate**

**bodies.** The intermediate body in the implementation structure of the Operational Programme Enterprise and Innovation is the agency **CzechInvest**. For the loans, guarantees and other financial instruments will be the intermediary body the **Czech-Moravian Guarantee and Development Bank (CMZRB)**, in case of the JEREMIE the holding company entrusted with this task. (24)

### **1.3.1 CzechInvest**

CzechInvest, the Investment and Business Development Agency of the Czech Republic, was established in 1992 by the Ministry of Industry and Trade. The services and development programmes of CzechInvest “contribute to attracting foreign investment and to developing Czech companies, (...) support investment activities to the highest level of competence not only through information service and consultancy but also by linkage with structural funds of the EU.” (CzechInvest, 2010)

**CzechInvest** provides the following **services**:

- Comprehensive services for investors - full information assistance, handling of investment incentives, business property identification, location of Czech suppliers, aftercare services
- Business infrastructure development
- Access to structural funds (1)

### **1.3.2 Priority axis and programmes of support of the OPEI**

In the framework of OPEI there are 15 programmes of support under 7 priority axes for the period 2007-2013. The form of support provided depends on the particular programme of support. “START” and “Progress” are supported by interest-free and advantageous loans, programme “Guarantee” by advantageous guarantees. The rest of the programmes is supported by financial grants.



Table 4: Priority Axis and areas of intervention within OPEI

PRIORITY AXIS	AREA OF INTERVENTION/PROGRAMME OF SUPPORT	INTERMEDIARY
1. Establishment of firms	1.1 Support of starting entrepreneurs	
	"START"	ČMZRB
	1.2 Use of new financial instruments	
2. Development of firms	2.1 Bank instruments for the support of SMEs	
	"Progress"	ČMZRB
	"Guarantee"	ČMZRB
	2.2 Support of new production technologies, ICT and selected strategic services	
	"Development"	CzechInvest
	"Strategic services"	CzechInvest
	"ICT in enterprises"	CzechInvest
3. Effective energy	3.1 Energy savings and renewable resources of energy	
	"Eco-energy"	CzechInvest
4. Innovation	4.1 Increasing the innovative performance of firms	
	"Innovation"	CzechInvest
	4.2 Capacities for industrial research and development	
	"Potential"	CzechInvest
5. Environment for enterprise and innovation	5.1 Cooperation platforms	
	"Cooperation"	CzechInvest
	"Prosperity"	CzechInvest
	5.2 Infrastructure for human resources management	
	"Training centres"	CzechInvest
	5.3 Business infrastructure	
	"Properties"	CzechInvest
6. Business development services	6.1 Support for consulting services	
	"Consultancy"	CzechInvest
	6.2 Support for marketing services	
	"Marketing"	CzechInvest
7. Technical assistance	7.1 Technical assistance in the management and implementation of OPEI	
	7.2 Other technical assistance	

Source: (24)

## 2 PROBLEM ANALYSIS AND CURRENT SITUATION

This analytical part of the thesis serves as a basis for further proposals and includes basic information about the company, its organizational structure and corporate strategy, SWOT analysis and company educational system analysis. The name of subject organization has been changed to “AB OPTIK” for concealment reasons.

### 2.1 Basic information about AB OPTIK

AB OPTIK is an organization consisting of 5 branch shops engaged in **manufacturing and sale of optical corrective aids and sale of sunglasses, contact lenses and accessories**. All the branch shops act under the same brand and offer services such as qualified consulting, eye examination and application of contact lenses by either eye doctor or optometrist. Other services include repairs of glasses, glass cleaning by ultrasound, etc.

According to EC Regulation 800/2008, with its **12 employees** (excluding 3 brigade-workers-students and the owner), the company falls into the category of small enterprises. The number of served customers numbered around 36 500 in 2009.

**The main subject of business** is manufacturing optical corrective aids (CZ – NACE: 325 000 – Manufacturing medical and dental aids and tools)

**Secondary subject of business** is a sale of optical corrective utilities, sunglasses, contact lenses, and other accessories. (CZ – NACE: 477 800 – Other retail stores selling specialized goods).

Company's annual turnover comes up to approximately **CZK 23 mil.**

The owner of the company runs the business on the basis of **Trade Licence**.

AB OPTIK was founded in 2001 when it opened its first branch shop. Based on several analysis of competition and demand for services were gradually established another four shops under the same brand. The firm currently consists of 5 branch shops located in the region of South Bohemia and Czech-Moravian Highlands.

**Philosophy** of the company is focused on individual approach to customers and attempt to comprehensively meet his needs by complex services.

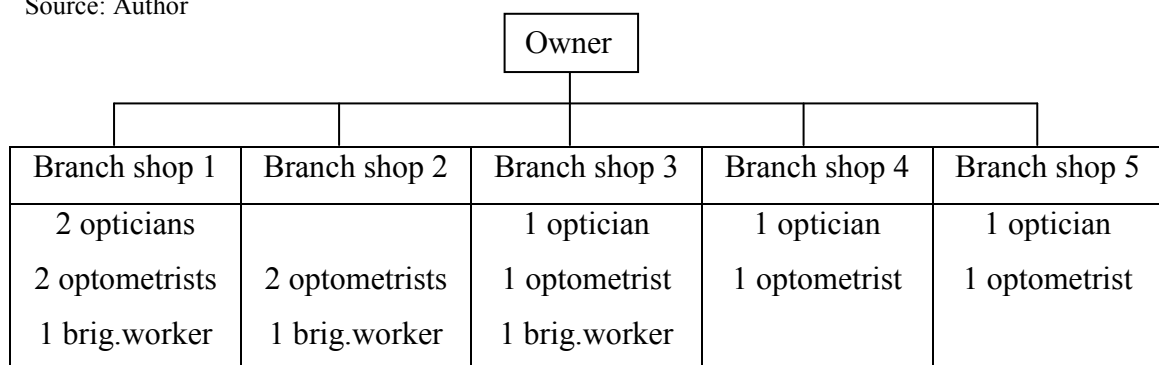
## 2.2 Organizational structure

The company's shops are located in 2 regions: South Moravia Region and Czech-Bohemian Highlands. The exact locations of the branch shops are not specified by concealment reason.

The company is managed by the owner. Each shop is managed by a shop manager, who is either optometrist or eye doctor.

Picture 3: Organizational structure of AB OPTIK

Source: Author



## 2.3 Corporate strategy

Following strategy has been formulated in 2009 as a part of a marketing plan of the company. However, the most of the goals have been updated in 2010. Following information have been extracted from internal materials of AB OPTIK.

**Vision** of the company is following: “We want to build profitable and financially stable network of at least 8 branch shops in the South Moravian Region and Czech-Moravian Highlands by 2015, characterized by strong brand, offering complex services.”

**Mission** has been formulated on the basis of following propositions:

- We offer complex and high quality customer service and build relationships to make customers return in the future.
- We are targeted on the services and products with high added value and use modern and up-to-date information and communication technologies.
- We build a sustainable team of staff members, which are permanently trained in pertinent areas.

All branch shops work toward following **trade position**: „Network of branch shops offering wide range of eye corrective aids, modern glasses and accessories for reasonable price and having friendly and highly qualified staff.“

Therefore, **priorities of the company** are:

- Friendly staff.
- Guarantee of high qualification.
- Wide range of products for reasonable price.

At present, **target markets** are South-west Moravia and Moravian part of Czech-Moravian Highlands. In the future the company would like to expand further in the mentioned regions (such as Czech part of the Czech-Bohemian Highlands and South Moravia).

The company focuses on four main **market segments** with slightly different needs:

- Children
- Youth
- Adults
- Seniors

In the framework of marketing strategy were formulated medium-term strategic goals in 5 years horizon (i.e.2014), which were updated in 2010 (i.e.2015). These goals intervene in the following areas:

#### **Market goals**

- To own all shops by the end of 2015.
- To open 1 new branch shop in 2010.
- To become number-one eyewearshop in the terms of market share in at least 3 towns.
- To be among 5 largest eyewear-shops in Brno in terms of turnover by the end 2010.

#### **Financial goals**

- To achieve company turnover of CZK 38 mil in 2010.
- To achieve company turnover of CZK 39 mil in 2011.
- To achieve turnover of the shop in Jihlava of CZK 700 thousands in 2010.
- To achieve turnover of the shop in Jihlava of CZK 800 thousands in 2011.
- To achieve such financial stability that would assure operating capital sufficient in each moment in time to cover all expenditures during at least 3-months period.

#### **Profitability**

- To achieve increase of sales of multi-focal lenses by 40% by the end of 2010.
- To keep roughly the same sales of sunglasses in 2010 as in 2009.

### **Social goals**

- To have maximum fluctuation of 10% in 2010, which means alteration of max. 2 employees (incl. brigade-workers).
- To constantly increase qualification of staff.
- To arrange 4 teambuilding activities in 2010.

## **2.4 Company SWOT analysis**

Complex SWOT analysis of AB OPTIK was carried out on the basis of detailed recognition of current conditions and situation. The assessment emerges from following resources:

- Marketing research carried out in 2009 for company purposes.
- Own desk research.

The importance of SWOT analysis as for this diploma thesis lies in definition of strengths, weaknesses, opportunities and threats, which are the main preconditions of correct determination of problem areas and proposals. SWOT analysis is an important part of Business Plan, which is a supplement to Full Application.

Table 5: Company SWOT analysis

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
Highly qualified staff	Lack of IS overlaying the firm
Stable and motivated team	Lack of CRM
Clear organizational structure	Lack of own premises for training
9 years of experience	Insufficient differentiation from competitors
One brand for entire network	Outdated software
1 shop in own premises	4 shops on demised premises
Targeted sales promotion events	Relatively high costs of training
Complex service	Insufficient information on company websites
Trend and collections always up-to-date	
Regular presence on international fairs	

Promotions in cooperation with some Czech celebrities Reconstructed interiors of some shops Fast delivery thanks to own manufacturing	
OPPORTUNITIES	THREATS
Expansion to other towns or regions Creation of e-shop Acquisition of another shops and networks Sales of new brands Specialized software for eyewear-shops (e.g. Narcis 2.0) Cooperation with fashion stores Extension of manufacturing corrective appliances Development of grinding centre	Competitors Economic recession (preference for low-cost brands) Growing number of on-line eyewear-shops Laser corrections Increasing tax levels

Source: Internal materials of AB OPTIK and author

SWOT analysis revealed a number weaknesses, which could endanger success of the company in the future. At first, lack of integrated information system may become serious problem of the company in the coming years as the company strikes for growth in the following 5 years (goals are defined in the marketing strategy). **Investment into new information system (IS)** seems to be necessary in the near future.

New information system will definitely require a set of trainings of entire personnel in the field of IT. This is incidental to another weaknesses defined by the SWOT analysis :

- **lack of own premises for trainings of staff**
- **high costs of trainings**

As there is constant need of training in the field of optics due to its dynamism (especially permanent development of new technologies), employees of AB go through several trainings per year and visit accredited lectures. All educational activities of employees are paid by the company, meaning significant amount of costs and demanding factor in terms of time, place and content of lectures.

Both of these weaknesses may be eliminated by **establishment of own training centre**, which would lower training related costs and served as educational facility.

## 2.5 Choice of the project

With respect to the SWOT analysis, following projects should be considered to eliminate particular weaknesses and threats:

Table 6: Proposed projects to AB OPTIK

Proposed project	Weaknesses/Threats	Funding by Structural Funds
<b>Investment into the new information system</b>	Lack of IS overlaying the firm Lack of CRM Outdated software	✓OPEI/Development of firms/ <b>ICT in enterprises</b> (Call III)
<b>Establishment of training centre</b>	Lack of own premises for training of staff Insufficient technical knowledge owned by staff in the field of IT	✓OPEI/Environment for enterprise and innovation/ <b>Training Centres</b> (Call II)
<b>Creation of e-shop</b>	Growing number of on-line eyewear-shops	✗

Source: author

**Investment into the new information system** and **establishment of training centre** seem to be the best solution for a number of discovered deficiencies as there is an opportunity to get funding from the EU funds.

Both project have been consulted in the company and considered as **good opportunities to maintain further growth**.

However, as the thesis is limited, it will be dedicated only to the **establishment of training centre**. Main reason of the choice of this project ensues from the closing dates of acceptance of registration applications set by CzechInvest:



- OPEI/Environment for enterprise and innovation/Training centres – Call II:  
**31 May 2010**
- OPEI/Development of firms/ICT in enterprises – Call III: **15 October 2010**

The sequence of submission of project applications ensues from the above mentioned closing dates.

The idea of establishment of training centre needs further analysis of current educational system in AB OPTIK.

## **2.6 Analysis of educational system in AB OPTIK**

Employees of AB OPTIK go through series of trainings in the field of optics, optometry, business skills, etc. on the regular basis. Training concern all employees including the owner. Each employee undergoes at least 5 training a year.

### **2.6.1 System of trainings**

Company employees regularly attend lectures accredited under the compulsory **Lifelong Learning for Paramedical Personnel in Healthcare**, according to the Regulation No 423/2004 Coll. establishing credit system for certification for the paramedical professions such as optician and optometrist. Attendance of such accredited trainings, conferences, symposiums, etc. are rewarded by certain amount credits.

In practice, these educational activities are provided by either **Association of Czech Opticians and Optometrists** or companies accredited to perform this task.

Training courses and lectures include primarily following areas:

- new production technologies,
- ophthalmology,
- contact and spectacle lenses,
- training on spectacle lenses,

- business, communication and technical skills, and
- new collections.

Some of above trainings take place on the company premises, but in terms of capacity, this practice is currently inadequate. For some of the trainings has been established internal instructor, but the most of trainings are pursued externally.

Such system requires considerable financial resources associated with sending workers on trainings. AB OPTIK spends annually about **CZK 150 000** on training, but this amount is continually growing. Besides economic costs associated with travel and accommodation, there are several **factors complicating the organization of trainings in terms of harmonization** of:

- employee cast
- timing
- content, and
- location of the trainings.

### **2.6.2 Motivation and appraisal of employees**

All trainings are paid from the company budget, which has a motivational effect on employees. Company provides meal vouchers and for some employees also company car. Employees are paid on hour wage basis. AB OPTIK does not use system of benefits, neither appraisals for its employees. Interview with the owner takes place only if necessary.

### **2.6.3 Cooperation with educational institutions**

Since 2006 the company cooperates on long-term basis with:

- **Faculty of Science – Masaryk University in Brno**
- **Medical College Merhautova in Brno.**

Students of above mentioned institutions regularly attend the company in order to obtain professional experience. Annually at least 4 students undergo this unpaid practical training.

They learn about the manufacturing processes, obtain knowledge of manufacturing ophthalmic equipment and also improve their practical knowledge in the field of optometry. The fact that students are lead by experts means important step forward in their professional careers.

Additionally, AB OPTIK cooperates with **Institute of Optics at Olomouc University**. Subject of the cooperation is in this case unpaid teaching activity in the extent of 20 days per year.

### **3 PROPOSALS AND CONTRIBUTION OF SUGGESTED SOLUTION**

The chapter deals with concrete investment project „Training centre AB Optik“. This project is designed on the basis of previous analysis to fulfil numerous requirements of the Call II of Programme **Training Centres (OP Enterprise and Innovation/Environment for Enterprise and Innovation)**.

Description of the proposed project is followed by its budget, performance indicators, publicity, financing, project SWOT analysis and contributions. Conditions of the programme are applied thorough the entire chapter. Process of obtaining the grant is analysed at the end.

This chapter contains classified information and has been removed from this public version of the thesis.

## 4 CONCLUSIONS

Diploma thesis „Project Financing from the EU Funds“ has been conducted for the needs of AB OPTIK.

The company intends to avail of second call for submission of “Operational Programme Enterprise and Innovation - Training Centres” in order to obtain subsidy from the structural funds of the EU. The intended project “Training Centre AB Optik” repose on establishment of own training centre on the vacant premises above one of the branch shops. The training centre will be primarily used for educating own employees of the company. Secondary it will be rented by another partner companies.

First part of the thesis was dedicated to theoretical overview of the system of structural funds of the EU, their functions and principles. Special focus was put on the Czech Republic and Operational Programme Enterprise and Innovation.

Second part of the thesis included analysis of current situation of AB OPTIK. At first, SWOT analysis of the company has been conducted. It revealed a number of weaknesses and threats, which served as a basis for designing two projects with potential of obtaining funding – investment into new information system and establishment of training centre. With respect to the closing dates of submitting registration applications within individual calls of these programmes and after consultation with AB OPTIK, the author decided to focus the thesis on the project regarding building a training centre. Further analysis of educational system in AB OPTIK confirmed the need of establishment of own training centre mainly due to high travel costs and complicated organization in terms of harmonization of personnel cast, timing, content and location of the trainings.

Third part of the thesis deals with the proposed project itself. Training Centre AB Optik has been designed in cooperation with AB OPTIK in order to fulfil numerous requirements of the programme.

Establishment of training centre will allow AB OPTIK decide when, how and by whom will be the staff trained. It will also enable the company efficiently utilize new technologies and procedures in order to raise the quality of practical training. In addition, the training centre will be rented to a number of interested companies for their own purposes in order to utilize the centre in the most efficient way possible.

Major contributions of the project include **cost and time savings, simplification of organization and guarantee of continually increasing qualification of employees**. The project will foster overall competitiveness of AB OPTIK at the market.

The last part of the thesis was dedicated to the process of obtaining the grant in order to give the company fundamental idea of what amounts to submission of application as this is the first project intended to obtain the grant from the EU funds.

The main aim of the thesis was to design a project, which fully meets current needs of the organization and at the same time fulfils all requirements of relevant operational programme. The content of the thesis was focused on submission of full project application including main annexes.

The author presumes that obtaining the grant for this project is very likely and is a good opportunity for AB OPTIK to take a step ahead of its competitors on the way toward success and further growth. In this context the aim of the thesis has been fulfilled.

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# DICTIONARY OF ABBREVIATIONS

CMZRB	Moravian Guarantee and Development Bank
EAFRD	European Agricultural Fund for Rural Development
EAGGF	European Agriculture Guidance and Guarantee Fund
EC	European Commission
EFF	European Fisheries Fund
EGS	Economic Growth Strategy
EIB	European Investment Bank
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FIFG	Financial Instrument for Fisheries Guidance
GDP	Gross Domestic Product
GNI	Gross National Income
JEREMIE	Joint European Resources for Micro to medium Enterprises
MCC	Managing and Coordinating Committee
MIT	Ministry of Industry and Trade
MMR	Ministry for Regional Development
NCA	National Coordination Authority
NSRF	National Strategic Reference Framework
NUTS	Nomenclature of territorial units for statistics
NUTS	Nomenclature of Statistical Territorial Units
OP	Operational Programme
OPEI	Operational Programme Enterprise and Innovation
OPIE	Operational Programme Industry and Enterprise
SMEs	Small and Medium-sized Enterprises
SRD	Strategy for Regional Development
TC	Training Centre
TC AB OPTIK	Training Centre AB Optik

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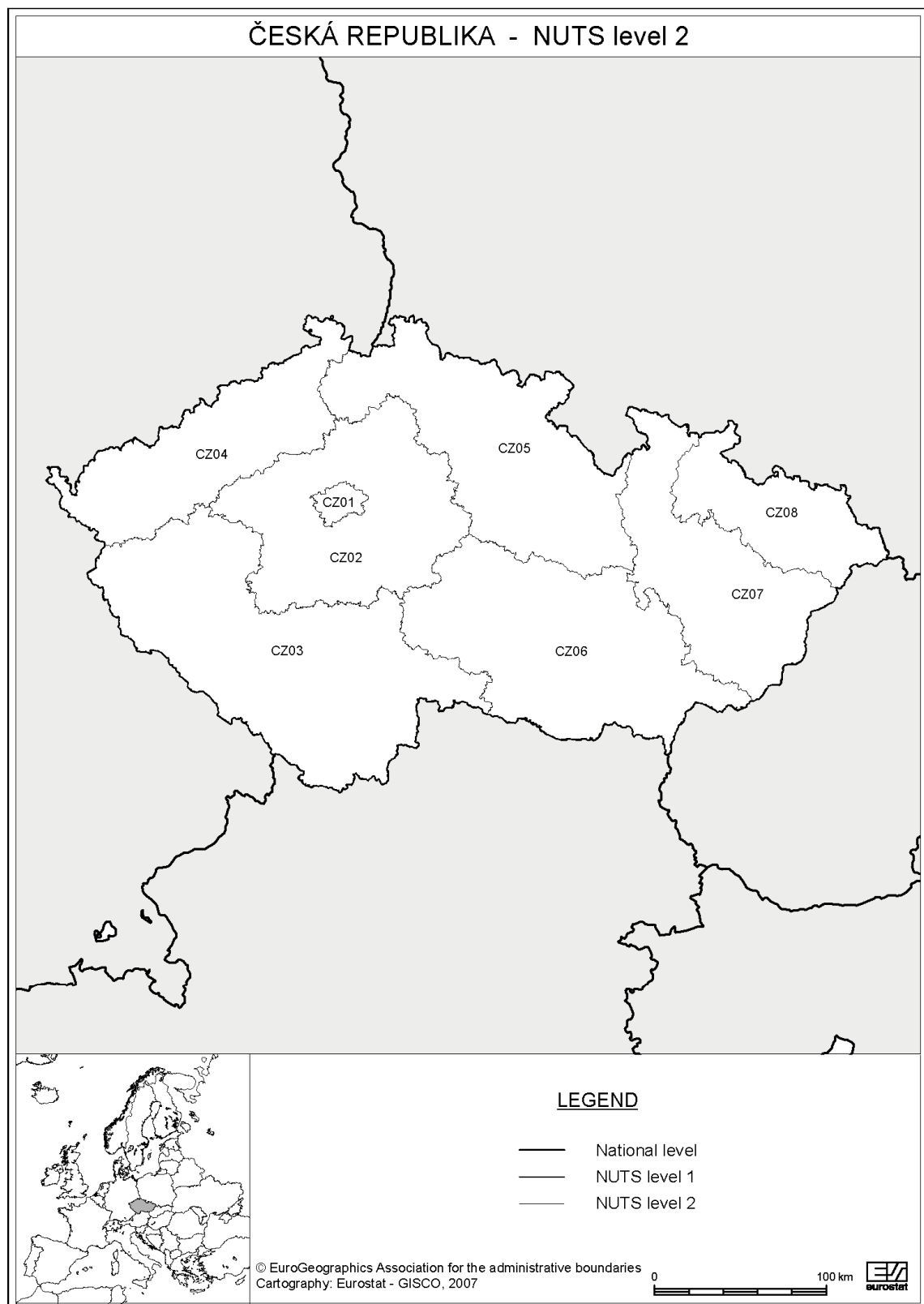
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## Appendix 1: Czech Republic – NUTS level 2



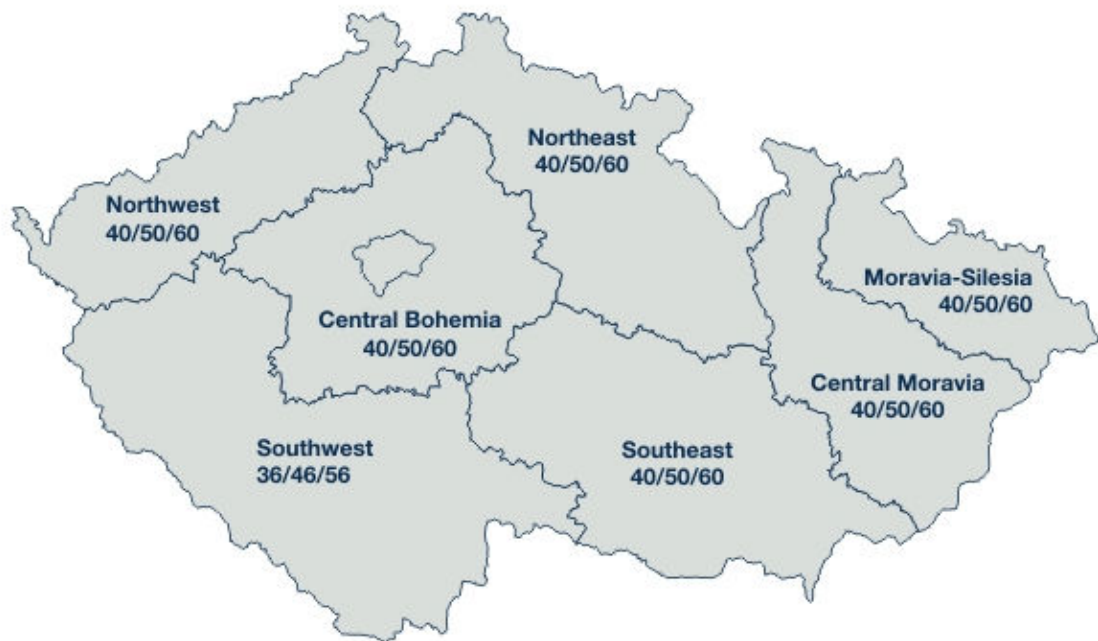
Source: Eurostat

## Appendix 2: Operational Programmes Czech Republic 2007 - 2013

<b>Operational Programmes - Czech Republic 2007 - 2013</b>	
<b>Convergence Objective</b>	
<b>Regional operational programmes (ROP)</b>	
ROP NUTS II North-West ROP NUTS II Moravia-Silesia ROP NUTS II South-East ROP NUTS II North-East ROP NUTS II South-West ROP NUTS II Central Moravia ROP NUTS II Central Bohemia	
<b>Thematic operational programmes</b>	
OP Transport OP Environment OP Enterprise and Innovation OP Research and Development for Innovations OP Human Resources and Employment OP Education for Competitiveness Integrated Operational Programme OP Technical Assistance	
<b>Regional Competitiveness and Employment Objective</b>	
OP Prague - Competitiveness OP Prague - Adaptability	
<b>European Territorial Cooperation Objective</b>	
OP Cross-Border Cooperation CR-Bavaria OP Cross-Border Cooperation CR-Poland OP Cross-Border Cooperation CR-Austria OP Cross-Border Cooperation CR-Slovakia OP Cross-Border Cooperation CR-Saxony OP Interregional Cooperation OP Transnational Cooperation Network Operational Program ESPON 2013 Network Operational Program INTERACT II	

Source: EU FUNDS [online], <http://www.strukturalni-fondy.cz/Programy-2007-2013>

### Appendix 3: Regional Map of State Intensity – Czech Republic



Source: CzechInvest [online], <http://www.czechinvest.org/en/maximum-amount-of-aid>



## Appendix 4: Equipment of Training Centre AB Optik – professional appliances

### **iPolatest**

Vision testing on the principle of polarization.

CZK 336 250



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### **Grinding machine**

Grinding and fitting lenses into spectacle frames.

CZK 990 000



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### **Autorefraktokeratometre**

Measurement of cadinality of the optical system of the eye in diopters.

CZK 150 000



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### **Digital fokometre**

Precise measurements and centering dioptric lenses.

CZK 59 000



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### **Slit-lamp**

Eye examinations and optical transparency of ocular media.

CZK 120 000



## Appendix 5: Reconstruction costs

### RECONSTRUCTION COSTS

Major budgetary costs	2 167 381	Other budgetary costs	346 781
Vertical and complete construction	447 550	Difficult working conditions	130 043
Horizontal structures	4 420	Field margin	0
Surfacing internal	14 863	Transfer of structural capacities	0
Surfacing external	70 790	Transfer outside of construction site	0
Floors and floor structure	16 045	Construction site equipment	130 043
Filling holes	46 363	Assembly	0
Finishing works	20 562	Reserve	86 695
Demolition of structures	12 615		
Punching holes	6 018		
Worksite moving masses	7 205		
Waterproofing	3 103		
Thermal isolation	256 866		
Drainage systems	37 100		
Water system	75 670		
Construction carpenter	240 124		
Construction plumbing	67 616		
Hard Coatings	44 493		
Construction joinery	234 841		
Bench construction	11 977		
Flooring tiles	25 947		
Parquet floors	112 247		
Floor coating	286		
Ceramic tiling	17 677		
Coatings	70 505		
Paintings	30 807		
Movements of debris and materials	291 692		
VAT BASE		CZK 2 514 162	
VAT 20%		CZK 502 832	
TOTAL BUDGETARY COSTS		CZK 3 016 994	

Source: internal materials and author

## **Appendix 6: Projected training plan 2013-2015**

### **PRELIMINARY TRAINING PLAN FOR 2013**

- Driver Training
- Work on Polatest
- Contactology (manufacturing, applications, news, complications, presbyopia)
- Refraction (monocular, binocular)
- Progressive lenses (production, use)
- Individual lenses (production, use)
- Microsoft Word
- MS Excel
- Safety
- Fire Safety
- Sales skills
- Marketing and Trade
- IT and počítače
- Management

**Number of days of training: approximately 170**

### **PRELIMINARY TRAINING PLAN FOR 2014**

- Driver Training
- Work on Polatest
- Contactology (manufacturing, applications, news, complications, presbyopia)
- Refraction (monocular, binocular)
- Progressive lenses (production, use)
- Individual lenses (production, use)
- MS Word
- MS Excel
- Safety
- Fire Safety
- Sales skills
- Marketing and trade
- IT
- Management
- Language courses

**Number of training days: approximately 170**

## **PRELIMINARY TRAINING PLAN FOR 2015**

- Driver Training
- Work on Polatest
- Contactology (manufacturing, applications, news, complications, presbyopia)
- Refraction (monocular, binocular)
- Progressive lenses (production, use)
- Individual lenses (production, use)
- Microsoft Word
- MS Excel
- Safety
- Fire Safety
- Sales skills
- Marketing and Trade
- IT
- Management
- Language courses

**Number of days of training: approximately 170**

Source: author

## Appendix 7: Projected Financial Statements – Training Centre AB Optik

PROJECTED BALANCE SHEET (THOUSAND CZK)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>TOTAL ASSETS</b>	<b>17 133</b>	<b>19 500</b>	<b>17 000</b>	<b>16 400</b>	<b>16 500</b>	<b>15 984</b>	<b>15 600</b>	<b>15 700</b>	<b>15 800</b>	<b>15 800</b>
<b>FIXED ASSETS</b>	<b>10 037</b>	<b>10 100</b>	<b>10 100</b>	<b>10 200</b>	<b>10 300</b>	<b>10 300</b>	<b>10 300</b>	<b>10 400</b>	<b>10 500</b>	<b>10 500</b>
Intangible assets	500	500	500	500	500	500	500	500	500	500
Tangible long-term assets	9 537	9 600	9 600	9 700	9 800	9 800	9 800	9 900	10 000	10 000
Tangible financial assets	0	0	0	0	0	0	0	0	0	0
<b>CURRENT ASSETS</b>	<b>7 096</b>	<b>9 400</b>	<b>6 900</b>	<b>6 200</b>	<b>6 200</b>	<b>5 484</b>	<b>5 300</b>	<b>5 300</b>	<b>5 300</b>	<b>5 300</b>
Stock	5 000	7 000	5 000	4 500	4 500	4 184	4 000	4 000	4 000	4 000
LONG-TERM RECIEVABLES	0	0	0	0	0	0	0	0	0	0
Accounts recievable	0	0	0	0	0	0	0	0	0	0
Other long-term recievable	0	0	0	0	0	0	0	0	0	0
SHORT-TERM RECIEVABLES	1 496	1 700	1 400	1 200	1 200	1 100	900	900	900	900
Accounts recievable	1 496	1 700	1 400	1 200	1 200	1 100	900	900	900	900
Other short-term recievable	0	0	0	0	0	0	0	0	0	0
Financial assets	600	700	500	500	500	400	400	400	400	400
Accruals	0	0	0	0	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>17 133</b>	<b>19 500</b>	<b>17 000</b>	<b>16 400</b>	<b>16 500</b>	<b>15 984</b>	<b>15 600</b>	<b>15 700</b>	<b>15 800</b>	<b>15 800</b>
<b>EQUITY</b>	<b>2 000</b>	<b>2 400</b>	<b>4 000</b>	<b>4 600</b>	<b>5 700</b>	<b>5 700</b>	<b>6 000</b>	<b>6 610</b>	<b>7 410</b>	<b>7 907</b>
FIXED CAPITAL	0	0	0	0	0	0	0	0	0	0
RETAINED EARNINGS	0	0	0	0	0	0	0	0	0	0
PROFIT	2 000	2 400	4 000	4 600	5 700	5 700	6 000	6 610	7 410	7 907
<b>DEBT</b>	<b>15 133</b>	<b>17 100</b>	<b>13 000</b>	<b>11 800</b>	<b>10 800</b>	<b>10 284</b>	<b>9 600</b>	<b>9 090</b>	<b>8 390</b>	<b>7 893</b>
RESERVES	959	0	0	0	0	0	0	0	0	0
LONG-TERM LIABILITIES	0	0	0	0	0	0	0	0	0	0
SHORT-TERM LIABILITIES	3 574	7 000	3 900	3 700	3 700	3 684	3 684	3 790	3 790	3 793
Accounts payable	35 000	3 424	3 300	3 300	3 620	3 600	3 700	3 700	3 700	3 700
Social security debt	74	76	77	77	80	84	84	90	90	93
Taxes and subsidies	0	3 500	523	323	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0	0	0	0	0
BANK LOANS	10 600	10 100	9 100	8 100	7 100	6 600	5 816	5 300	4 600	4 100
Long-term loans	9 100	8 600	7 100	6 600	5 100	5 100	4 100	3 600	3 100	2 600
Ordinary loans	0	0	0	0	0	0	0	0	0	0
Short-term financial aids	1 500	1 500	2 000	1 500	2 000	1 500	1 716	1 700	1 500	1 500
Other liabilities - temporary accounts	0	0	0	0	0	0	0	0	0	0

Source: author

PROJECTED PROFIT AND LOSS ACCOUNT (THOUSAND CZK)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales of sold goods	24 222	25 462	27 000	27 320	28 000	28 070	28 430	29 140	30 040	30 637
Cost/ Goods Sold (COGS)	11 461	11 700	12 100	11 750	12 050	12 050	12 050	12 100	12 150	12 150
<b>GROSS PROFIT MARGIN</b>	<b>12 761</b>	<b>13 762</b>	<b>14 900</b>	<b>15 570</b>	<b>15 950</b>	<b>16 020</b>	<b>16 380</b>	<b>17 090</b>	<b>17 940</b>	<b>18 487</b>
<b>INTERDEPARTMENTAL REVENUES</b>	<b>261</b>	<b>258</b>	<b>300</b>	<b>300</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>450</b>	<b>500</b>
Sales of own products and services	258	258	300	300	400	400	400	400	450	500
Change of intradepartmental stock of own production	3	0	0	0	0	0	0	0	0	0
Activation	0	0	0	0	0	0	0	0	0	0
<b>INTERDEPARTMENTAL CONSUMPTION</b>	<b>6 934</b>	<b>7 200</b>	<b>6 670</b>	<b>6 670</b>	<b>6 000</b>	<b>6 000</b>	<b>6 000</b>	<b>6 000</b>	<b>6 000</b>	<b>6 000</b>
Consumption of materials and energy	934	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Services	6 000	6 200	5 670	5 670	5 000	5 000	5 000	5 000	5 000	5 000
<b>VALUE ADDED</b>	<b>6 088</b>	<b>6 820</b>	<b>8 530</b>	<b>9 200</b>	<b>10 350</b>	<b>10 420</b>	<b>10 780</b>	<b>11 490</b>	<b>12 390</b>	<b>12 987</b>
<b>OPERATING EXPENSES</b>	<b>2 688</b>	<b>2 770</b>	<b>2 900</b>	<b>2 970</b>	<b>3 020</b>	<b>3 090</b>	<b>3 150</b>	<b>3 250</b>	<b>3 350</b>	<b>3 450</b>
Payroll	1 800	1 850	1 950	2 000	2 050	2 100	2 150	2 200	2 250	2 300
Payments to company partners	0	0	0	0	0	0	0	0	0	0
Social security	888	920	950	970	970	990	1 000	1 050	1 100	1 150
Social expenses	0	0	0	0	0	0	0	0	0	0
Taxes and charges	0	0	0	0	0	0	0	0	0	0
Depreciation	600	750	750	750	750	750	750	750	750	750
Other operating revenues	0	0	0	0	0	0	0	0	0	0
Other operating expenses	0	0	0	0	0	0	0	0	0	0
<b>OPERATING PROFIT</b>	<b>2 800</b>	<b>3 300</b>	<b>4 880</b>	<b>5 480</b>	<b>6 580</b>	<b>6 580</b>	<b>6 880</b>	<b>7 490</b>	<b>8 290</b>	<b>8 787</b>
Yield interests	0	0	0	0	0	0	0	0	0	0
Cost interests	400	550	530	530	530	530	530	530	530	530
Other financial revenues	0	0	0	0	0	0	0	0	0	0
Other financial expenses	400	350	350	350	350	350	350	350	350	350
<b>FINANCIAL PROFIT</b>	<b>-800</b>	<b>-900</b>	<b>-880</b>	<b>-880</b>	<b>-880</b>	<b>-880</b>	<b>-880</b>	<b>-880</b>	<b>-880</b>	<b>-880</b>
Income tax on ordinary activity	0	0	0	0	0	0	0	0	0	0
<b>ORDINARY ACTIVITY PROFIT</b>	<b>2 000</b>	<b>2 400</b>	<b>4 000</b>	<b>4 600</b>	<b>5 700</b>	<b>5 700</b>	<b>6 000</b>	<b>6 610</b>	<b>7 410</b>	<b>7 907</b>
Extraordinary revenues	0	0	0	0	0	0	0	0	0	0
Extraordinary costs	0	0	0	0	0	0	0	0	0	0
Income tax on extraordinary activity	0	0	0	0	0	0	0	0	0	0
<b>EXTRAORDINARY PROFIT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Conveyance of profit to partners	0	0	0	0	0	0	0	0	0	0
<b>NET PROFIT BEFORE TAX</b>	<b>2 000</b>	<b>2 400</b>	<b>4 000</b>	<b>4 600</b>	<b>5 700</b>	<b>5 700</b>	<b>6 000</b>	<b>6 610</b>	<b>7 410</b>	<b>7 907</b>

Number of necessary employees in average	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	13	13	13	13	13	13	13	13	13	13

Source: author